Sw- 3/989

FET

Foreign Economic Trends and Their Implications for the United States

JUNE 1989

SWEDEN

FET 89-69
Frequency: Annual
Supersedes: 88-48

PREPARED BY
AMERICAN EMBASSY LISBON

U.S. DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

Available by subscription from the Superintendent of Documents, GPO, Washington, D.C. 20402. Annual subscription, $55.00. Foreign mailing $13.75 additional. Single copies, $1.00, available from Publications Sales Branch, Room 1617, U.S. Department of Commerce, Washington, D.C. 20230.

C 61.11:

READEX FICHE best copy available

GDP BY COMPONENTS	VALUE (1) MILLIONS U.S.$	PERCENTAGE VOLUME CHANGE		
	1988	1987	1988(prel.)	1989(est.)[2]
Private Consumption	93,678	+ 3.8	+ 2.7	+ 1.9
Total Public Consumption	47,803	+ 1.3	+ 1.4	+ 1.9
(of which: Central Government)	12,820	+ 5.4	+ 5.5	+ 8.2
Gross Investment	34,623	+ 6.2	+ 5.1	+ 1.5
(of which: Private Industry)	6,591	+12.6	+ 10.0	+ 5.1
Inventory Formation (and as % of GDP)	- 496	(+ 0.1)	(+ 0.4)	(+ 0.4)
Exports of Goods and Services	58,549	+ 2.5	+ 4.2	+ 3.2
Imports of Goods and Services	54,720	+ 6.3	+ 5.5	+ 4.9
GDP	179,438	+ 2.4	+ 2.8	+ 1.7

TRADE AND BALANCE OF PAYMENTS	BILLIONS S E K, CURRENT PRICES		
	1987	1988(prel.)	1989(est.)
Exports of Goods f.o.b.	281.4	306.1	332.3
Exports to United States[3]	30.3	30.0	N/A
Imports of Goods c.i.f.	257.4	279.9	305.5
Imports from United States[3]	17.8	20.2	N/A
Balance of Trade[4]	+ 22.5	+ 25.3	+ 25.6
Tourism Receipts	12.9	14.1	N/A
Tourism Expenditure	24.0	28.0	N/A
Balance on Current Account	- 6.7	- 13.6	- 14.1
Balance on Capital Account	+ 3.9	+ 29.7	N/A
Foreign Exchange Reserves	50.3	53.7	N/A

MEMORANDUM ITEMS	PERCENTAGE CHANGE		
	1987	1988(prel.)	1989(est.)
Industrial Production	- 0.5	+ 3.9	+ 3.8
Real Disposable Income (1980 Prices)	+ 1.5	+ 2.8	+ 3.1
Average Hourly Earnings in Industry	+ 6.4	+ 7.5	+ 7.0
Producer Prices, Annual Average[5]	+ 3.0	+ 6.0	+ 5.7
Consumer Prices, Annual Average	+ 4.2	+ 5.8	+ 5.6

	AS MARKED		
	1987	1988	1989
Central Bank Discount Rate, Year-End	7.5 %	8.5 %	N/A
Money Supply (M3)[6], Billions of Kronor, Year-End	568.8	626.9	N/A
Yield on Industrial Bonds, Annual Average	11.84	11.43%	N/A
Labor Force (in thousands), Annual Average	4,337	4,397	4,432(est.)
Open Unemployment Rate, Annual Average	1.9 %	1.6 %	1.6 %(est.)
Exchange Rate[7]: SEK (kronor) per U.S. $1.00	6.33	6.12	6.2

[1] Source for the GDP component values is the Economic Research Institute.
[2] Estimates are taken from the Preliminary National Budget (PNB), January 1989, and are based on an assumed wage cost increase in 1989 of 7% and an increase in consumer prices of 5-1/2 percent. When our forecasts differ, it is so indicated in the text.
[3] 1988 = 12-month period from November 1987 through October 1988.
[4] Including statistical correction.
[5] For manufactured goods, excl. shipbuilding. Source: Economic Research Institute.
[6] M3 = sum of non-bank public's deposits of all kinds in all types of banks, and notes and coins in circulation outside banks.
[7] Annual averages. 1989 = Embassy's prediction. The rate at the time of writing (end of February 1989) was hovering around SEK 6.3 to the dollar.

Main imports from the United States, January-October 1988 (millions of U.S. dollars): Machinery and appliances, 687; Electronic processing and communications equipment, 592; Motor vehicles and other means of conveyance, 398; Chemicals, pharmaceuticals, and plastic materials, 241; Instruments and optical goods, 178; Foods, beverages, and tobacco, 150; Coal and coke, 23.

Sources: Swedish Finance Ministry and its Economic Research Institute; Central Bank; Statistics Sweden; and Labor Market Board.

SUMMARY

Sweden, like other countries, made a rapid recovery from the stock exchange collapse of late 1987, which did not exert any dampening effect on business activity in 1988. On the contrary, the wheels of Swedish industry spun as fast as the governors of labor supply and capacity ceilings would permit. Gross domestic product (GDP) grew by 2.8 percent and industrial investments by 10 percent. Exports earned a record-high trade surplus, and unemployment fell to the internationally very low level of 1.6 percent of the work force. The budget outcome, which in 1982 stood at a deficit of 13 percent of GDP, came out of the red and showed a surplus (1 percent of GDP) for the first time in 25 years. All in all, 1988 was a good year for Sweden.

Good, too, for the Swedish consumer. Deregulation of the credit market has allowed the banks to lend much more money to individuals, who, with few incentives to save and a social safety-net to protect them from cradle to grave, continue to spend more than they earn. Private consumption grew by 2.8 percent, which was somewhat slower than in 1987, and is expected to slow still further in the current year but still increase in volume terms by almost 2 percent in comparison with 1988.

One of the prices of this spending spree shows in a weakening balance of payments. The balance on current account actually showed a small surplus in 1986, but has since been moving deeper and deeper into the red. Another price being paid is an inflation rate which has persistently stood at least a couple of percentage points above levels in major competitor countries. Cheaper oil, a cheaper dollar, and brisk economic activity have masked the ill effects of this high inflation in recent years, but oil prices and the dollar cannot be expected to drop still further and production to grow forever. Yet the country still awards itself wage hikes well above those in competitor countries, and the current year will be no exception, bringing added erosion of competitiveness.

Sweden has relaxed its foreign exchange controls in recent years so that only a hard core remains. The government has stated its intention of removing all foreign exchange regulations, while maintaining "proper" tax and statistical surveillance. The final deregulatory plunge may come by the summer of 1989, possibly with permission for foreign banks to establish branch offices.

International demand for Swedish products remains strong. Though there may be some dampening of domestic demand, 1989 should therefore be another healthy year for the Swedish economy. The country's planned dismantling of nuclear power plants and its ever-growing awareness of environmental factors could well provide opportunities for U.S. exporters of energy-producing and energy-conserving equipment, and all kinds of environmental aids, in addition to the staple U.S. high-technology and high-quality products already in much demand in this small but discriminating market.

GENERAL BACKGROUND

Sweden is an advanced, industrialized country with a high standard of living and an extensive social services system. Situated in northwestern Europe with a climate like that of Minnesota, this constitutional monarchy is slightly larger in area than California, but with a population of only some 8.4 million inhabitants. This represents 0.16 percent of the world population, but economically Sweden is much larger, accounting for roughly 2 percent of global gross production and roughly the same percentage of the world market. Sweden is dependent on world economic developments, and it must adjust to them.

Sweden has a modern distribution system, excellent internal and external communications, and a skilled and educated work force. The traditional resource base of the economy lies in timber and hydroelectric power. Almost one-third of gross domestic product (GDP) is exported; consequently, Sweden is a strong supporter of liberal trading practices. Privately owned firms achieve nearly 90 percent of industrial output, with the engineering sector, which includes the production of electrical and transportation equipment, machinery, and metal goods, accounting for nearly half of all industrial production and exports. Much of the high-technology component of this production, which is growing, derives from U.S. technology. As a percentage of GDP, Sweden spends 3.1 percent on research and development.

Aside from a period of nonsocialist rule from 1976 to 1982, the Social Democrats have been in power in Sweden since the early 1930s. The party was reelected in September 1988 for a further three-year term of office but must receive the active support of at least one other party to obtain a majority vote in the Parliament. A new environmental party cleared the 4-percent-of-votes threshold to enter the Parliament in the 1988 election, gaining 20 of 349 seats.

Domestic economic policy goals are aimed at maintaining full employment, generating economic growth, promoting a more even distribution of income, and striving for a reasonable degree of price stability. The policy instruments used to achieve these goals are the traditional monetary and fiscal ones, as well as an active labor market policy (i.e., retraining and structural adjustment) and regional development policy (i.e., subsidies to economically weak areas). These programs have required constant financial underpinning, and the tax burden on the economy has grown from 50 percent of GDP in 1980 to 55 percent in 1988. Of the economic growth since 1982, taxes have absorbed 91 percent. This increase was partly due to discretionary tax hikes but was mainly the result of the automatic effects of the country's progressive tax scales.

The projected formation of the EC's single market by 1992 is a major problem facing little Sweden. As a measure of EC strength vis-a-vis

Sweden, it may be noted that it accounted (in 1985) for a quarter of the total supply of industrial commodities in Sweden, while Sweden's share of the same market in the EC was only 1 percent, i.e., a ratio of 25:1. Neutrality has hitherto precluded Swedish membership in the Common Market, and the Parliament reaffirmed this stance in 1988. Major Swedish exporting firms are doing what they can to gain footholds inside the Common Market, and there is a risk of manufacturing drain to that dynamic area. Although the Swedes are straining themselves to harmonize with the EC, neutral Sweden may find the business climate inclement outside the fold of membership. Another major problem facing the country is energy. Acting on the outcome of a 1980 referendum, Parliament decided to dismantle the country's existing 12 nuclear reactors by 2010, beginning in the mid-1990s. This is going to be painful, possibly too painful, to realize.

The currency is the Swedish krona (SEK). In February 1989, USz1.00 was buying around SEK 6.3.

CURRENT ECONOMIC SITUATION

Like other countries, Sweden made a rapid recovery from the 1987 stock exchange collapse, and 1988 proved to be a better year than expected. GDP grew by 2.8 percent and industrial investments by 10 percent. Profits were high, there was a pleasing, record-high trade surplus, unemployment fell to the very low level of 1.6 percent of the work force. Since the natural cooling-off process expected to result from the stock exchange crash did not materialize, an ongoing Swedish consumption-led mini-boom continued and was augmented by growing foreign demand for Swedish investment goods. Consequently, in early 1989, the economy was characterized by overheating, with industrial capacity utilization at its highest level since the peak of 1974 and skilled labor in very short supply.

INVESTMENT POLICY AND BANKING

Sweden is generally open and receptive to foreign investment, except in strategic areas of the economy or where change of ownership could result in severe local unemployment. Foreign ownership is prohibited or restricted in air transportation, the merchant marine, manufacture of war materials, publishing, mining, and forestry. The United States is well represented in the Swedish market through subsidiaries, which in 1987 employed almost 28,000 people, or 18 percent of the work force of all foreign-owned subsidiaries in Sweden. The book value of direct U.S. investment in Sweden at the end of 1987 is estimated to have been $1.1 billion (U.S. Department of Commerce figure). The upswing that took place in investment in 1987 continued in 1988, when total fixed investment grew by around 5 percent. Industrial investments, which were stimulated by high profit levels and high capacity utilization, grew by 10 percent.

In 1986, foreign banks were allowed to establish subsidiaries in Sweden. Two U.S. banks exploited this opportunity. These foreign-owned subsidiaries, by definition, must fund their operations on the domestic Swedish market, but reciprocity pressures will probably force Sweden in the near future to allow foreign banks to open branch offices, which would mean they could enjoy the full financial backing of their parent institutions.

Sweden introduced foreign exchange controls as a wartime measure, but in the recent past has been liberalizing them to harmonize with practices in other countries. The hard core of foreign exchange control still remains, however. Swedes may still not invest in foreign negotiables or deposit sums in foreign banks, nor are foreigners allowed to conduct similar transactions in Sweden. Deregulation may possibly be accomplished in the summer of 1989, but the existing foreign exchange laws are being kept on the books, albeit automatically waived, until new legislation can ensure satisfactory tax and statistical surveillance of transactions.

FOREIGN TRADE

Trade is vital to Sweden, as exemplified by the fact that the country's combined imports and exports of goods and services account for almost two-thirds of its gross domestic product. In other words, much of the country's economic performance is dictated by factors beyond its borders and beyond its control. During 1982-88, Swedish exports of manufactured goods were estimated to have grown by 42 percent. Rapid recovery from the shock of the stock exchange crash in late 1987 brought renewed strength to international business activity last year, and the wheels of Swedish industry spun as fast as they could.

This resulted in a record trade surplus of some SEK 25 billion ($4.1 billion). This was a slight improvement on the 1987 surplus thanks chiefly to falling oil prices. Total Swedish exports of goods grew by 3.7 percent in 1988, and exports of manufactured goods by almost 5 percent. There was a surge in exports of pulp and nonferrous metals, but exports fell sharply for wood products and petroleum derivatives. On the import side, with a protracted consumer spending spree attracting foreign-produced goods into the market, the volume of Swedish purchases of foreign manufactures in 1988 exceeded 1987 imports by around 6-1/2 percent (the growth in imports of all commodities was 4.8 percent). Of some concern for the future is the fact that 1988 prices for Swedish engineering products on the domestic market rose considerably more than import prices.

U.S.-Swedish trade: In the decades following World War II, the United States enjoyed a trade surplus with Sweden, but by 1983 the effects of Swedish devaluations and a strengthening dollar brought a turnaround in Sweden's favor. The dollar has weakened by almost one-third against the krona since 1985 (from a peak of 9.4 kronor to

the dollar in March of that year to 6.3 in February 1989) which is giving U.S. goods an extra competitive edge. This is now being reflected in the trade figures. The U.S. share of Swedish imports in 1987 stood at 6.9 percent and its share of Swedish exports at 10.7 percent. In the 12-month period from November 1987 through October 1988 (the latest figures available at the time of writing) the U.S. share of Sweden's imports had picked up to 7.3 percent, while its share of Sweden's exports had declined to 10 percent. Sweden's trade surplus with the United States during the same period amounted to just under SEK 10 billion (around $1.6 billion).

As to Sweden's exports to the United States, three-quarters are in automotive products, machinery, and electrical equipment, of which half comprise Volvo and Saab cars (the United States imports almost 60 percent of Sweden's total car exports).

BALANCE OF PAYMENTS

The country's balance on current account worsened from a deficit of SEK 6.9 billion in 1987 to an estimated SEK 13.6 billion (around $2.2 billion or a little more than 1 percent of GDP) in 1988. The increase in the deficit was mainly ascribable to increases in transfers and fast-growing deficits in tourism, transportation, and other services. Continued but somewhat slower growth is foreseen in the tourism deficit for the current year and 1990. Official policy continues to decree that there shall be no net government borrowing from abroad.

PRODUCTION

Industry: Industry employs roughly one-quarter of Sweden's labor force. Production in mining and manufacturing since 1980 has grown by almost 20 percent, which is in line with the average of Western industrialized countries, but faster than the average of competitors in Europe. The strong inflow of export orders during 1988 will ensure that Swedish industrial activity will remain buoyant for some time. The growth of industrial production in 1988 was estimated at almost 4 percent, or around the same rate of growth as in 1987, but there were more working days in 1988, and so the rate was tapering off. There is currently little room for any further increase in capacity utilization, and recruitment of skilled labor is difficult.

Agriculture: Farming and forestry together accounts for 3 percent of Sweden's GDP. Difficult planting conditions in the fall of 1987 lowered 1988 crop production. Grain production decreased 8 percent to 4.8 million tons, and the exportable surplus was off 50 percent to 450,000 tons. The 1989 grain crop is forecast at 5.5 million tons. The rapeseed crop in 1988 totaled 250,000 tons and is estimated to reach 323,000 tons in 1989. Soybean meal imports were up 37 percent to 173,000 tons in 1988. Milk production dropped slightly in 1988, but is forecast to increase 2 percent in 1989, the result of a discontinued two-price program. The set-aside program in 1989 is expected to cover 200,000 hectares.

Agricultural policy issues are currently in the doldrums. Both the government and the farmers have expressed a willingness to do away with several regulatory measures and pave the way for more competition. However, farmers are still negative toward decreased border protection, i.e., import levies, maintaining that this would eliminate much of the cultivated area. A government commission is presently working on new avenues for future agricultural policy, and its report is expected this fall. Its considerations will naturally be highly dependent upon the ongoing GATT negotiations in the Uruguay Round.

Forestry: The positive developments of the the Swedish forest industry continued in 1988. Demand for pulp and paper on the international markets was good, and this trend is expected to continue in 1989. The total production of pulp increased to 10.3 million tons, compared with 9.9 million tons in 1987. Exports amounted to 3.2 million tons, an increase of 5.1 percent over 1987. Production of paper increased to 8.1 million tons in 1988. Exports were 6.4 million tons. Capacity utilization of the pulp mills during 1988 was again high, while inventories were at a low level. Domestic supplies of raw material were good, but to meet the increased demand from the pulp mills, the import volume rose again in 1988. The 1988 lumber output is estimated at 10.9 million cubic meters. Domestic demand for sawn wood was extremely good in 1988 as a consequence of the brisk building activity experienced throughout Sweden. Exports of lumber declined from 7.5 million cubic meters in 1987 to 6.8 million cubic meters.

LABOR

Industrial restructuring: As a small industrial country with a well-educated and highly-paid work force, Sweden cannot compete strictly on the basis of labor costs and price, but needs to offer reliable quality and the most advanced technology to sell its products. To offer both quality and high technology, Sweden has to adjust easily to the world market conditions and cull out noncompetitive industries quickly so that the productive work force can move advantageously to profitable areas. Sweden's employment policy of creating jobs, providing training, and other flexible incentives directly supports its trade efforts. These measures give the work force the confidence it needs to accept major alterations in the economy. The labor minister uses as an example Sweden's shipbuilding industry: Sweden was the second largest shipbuilder in the world after Japan just 20 years ago. Today, not a single commercial ship is being built in Sweden. The Organization for Economic Cooperation and Development credits Swedish labor policy in permitting it to achieve such a drastic structural readjustment without causing major unemployment or other social problems.

Collective bargaining: Trade unions want more redistribution of the fruits of economic growth between factors of production. Labor is seeking major across-the-board wage increases and the reduction of the employers' flexibility in limiting premium pay and bonuses to skilled workers and management. During the current (1989) collective bargaining round, trade unions are asking for, and will probably receive, wage and salary increases of 6 to 8 percent, raising labor costs by about 9 to 11 percent. Against the background of six years of continuous economic growth, low unemployment, full capacity utilization and high profits, employers find that tough bargaining strategies must take a backseat to the need to retain and hire skilled workers. To help compete for labor resources, many employers are turning to providing stock options for production employees, profit sharing programs and production bonuses to retain and motivate its work force. About SEK 2 billion worth ($333 million) of options and stocks are owned directly by employees.

Employment: The Swedish unemployment rate for 1988 was 1.6 percent, which is the lowest registered since 1970. Sweden predicts that in 1989 unemployment will remain below 2 percent. Official government figures show that the labor force grew by 49,000 persons, composed of a population growth of 22,000 persons and net immigration of 17,000 persons within the labor force. Total net immigration was 23,000 persons, the highest figure since 1970. Approximately 66,000 new jobs were created in 1988. Sweden spends approximately $3 billion on pro-active demand- and supply-side programs to reduce its low unemployment rate in spite of a growing work force. These measures include training programs, computerized job search service, public relief employment, and subsidized wages for the handicapped and hard-to-employ. According to the Labor Market Board, over 3 percent of the labor force takes advantage of labor training programs each year. A minor baby boom occurred in 1988: approximately 112,000 children were born, 7,000 more than in 1987.

CONSUMPTION

Public sector: The financial position of the consolidated public sector (central and local governments plus the social security sector) has improved considerably during the current decade in parallel with the elimination of the budget deficit (see below). From a deficit of 6.3 percent of GDP in 1982, public sector finances showed a surplus equivalent to 4 percent of GDP in 1987, thanks to strong increases in revenue (the tax burden increased by 5.5 percentage points in 1982-88) coupled with subdued expenditure. Total taxes and employers' social security contributions represented no less than 55.6 percent of GDP in 1988 (taxes from personal income represented 22 percent, corporate tax just under 3 percent, spot taxes 15 percent, employers' contributions 16 percen,, and value-added tax 7-1/2 percent).

Budget outcome: The central government budget has been consolidated from a deficit equivalent to 13 percent of GDP in 1982 to an estimated surplus of around 1 percent of GDP in 1988. This was achieved by a salutary combination of general budgetary austerity and a rapid growth of revenues resulting from brisk business activity, which also made it possible to scale down labor and industrial support programs.

Private consumption: The social safety-net available to all Swedes from cradle to grave, together with negative or low real interest yield on banked money, has led people to save less and less. In fact, Swedes have been and are expected to continue spending more than they earn. The ratio between real disposable income and real private consumption was greater than minus 3 percent in each of the last two years and is forecast to continue negative in the current year. Increases in public sector transfers to households have brought increases in real personal disposable income every year since 1983. Last year, disposable income grew by almost 3 percent, and roughly the same growth is expected in 1989. Moreover, decontrol of the credit market has robbed the authorities of means to curb private borrowing for consumption purposes. The net result has been a grand spending spree which is now beginning to taper off. From a growth of 3.8 percent in 1987 to 2.7 percent in 1988, private consumption is forecast to grow by "a mere" 1.9 percent in the current year.

Prices: The inflation rate in Sweden continues to remain at a level which is 2-3 percentage points higher than inflation in competitor countries. During 1988, Swedish consumer prices rose by 6.3 percent (up from 5.8 percent in 1987). The usual Finance Ministry exhortations for pay rise restraint had the usual lack of effect on the outcome of collective wage bargaining last year, and average hourly industrial wages rose by an estimated 7.5 percent on the 1987 level. Official forecasts for the current year are based on an assumed increase in industrial earnings of 7 percent, a figure which is sure to represent a floor rather than a ceiling when all wage demands have been made and paid in the currently overheated market. The government is imposing a 15 percent extra tax on 1989 corporate profits above a certain level (a permanent 20 percent tax is already in place) in an effort to ease wage-demand pressures, but few commentators believe this will have much effect on the outcome. Reducing the Swedish inflation rate to competitor levels is thus highly problematic, particularly since the country can expect little or no help from any further reduction in oil prices (it has no indigenous fuels to speak of) or from any further weakening of the U.S. dollar (which has dragged the value of the krona down with it against other currencies and blurred the adverse effects on competitiveness of recurring, overgenerous wage hikes).

THE OUTLOOK FOR 1989

The growth of trade among the industrialized countries of the west is expected to remain relatively good in the current year, though not as strong as in 1988. Nonetheless, Swedish order books are steadily being replenished and industrial activity will remain buoyant. Industrial production is forecast to rise by 2.5 percent during the year, or by much the same rate as in 1988. Since inventories are now at very low levels (as a percentage of value added, industrial inventories declined from 51 percent in 1980 to a low 34 percent in 1988) since many exporting firms are working at full capacity and skilled labor is in very short supply, Sweden's export market share is expected to shrink slightly for yet another year in 1989. Exports of manufactures are forecast to grow by 4 percent or so, while exports of raw materials remain on a level with those of 1988. All in all, the trade surplus for the current year is expected to be much the same as in 1988. Although import growth will probably be a couple of percentage points above export growth, this will be offset by greater increases in export prices than import prices. Rapid export price rises are expected for pulp, iron and steel, and products in the automotive and machinery and equipment sector.

Total fixed investment is expected to increase by 1.5 percent in volume terms, and continued growth in industrial investments is foreseen. Projected investment in transportation equipment will probably be very expansive, while there will be a declining volume of investment in forestry industries. Besides the lack of production capacity in the open sector of the economy, another reason for a growing balance-of-payments deficit is the low level of saving in the economy as a whole. Sweden of today has an extremely low private savings ratio. Among the objectives of economic policy, therefore, is a stimulation of private saving together with a reform of public sector transfer programs.

The official forecast for the average hourly industrial wage in 1989 is that it will grow by 7 percent, which is to be compared with the 4 percent average in Sweden's competitor countries.

In the recent past, Sweden has profited from good growth in exports to North America while at the same time it enjoyed favorable developments in the relative prices of its exports and imports, and competitively advantageous changes in exchange rates. Such a windfall state of affairs cannot be expected to continue indefinitely, however, and less propitious times may lie just around the corner.

IMPLICATIONS FOR U.S. EXPORTERS

The more attractive dollar has already led to an improvement in the price competitiveness of U.S. products and awakened an increased interest among Swedish buyers in the United States as a potential supplier of price-sensitive products in addition to the high-tech p

roducts which Sweden has been buying from the United States in recent years. U.S. figures show a surge of 43 percent in U.S. exports to Sweden in 1988 to $2.7 billion, while Swedish exports to the United States increased only 4.7 percent to $5.2 billion. Although we cannot expect U.S. firms to match this rate on a sustained basis, Sweden should remain an interesting market for U.S. exporters.

The following markets offer excellent export opportunities:

Computers and Related EDP Equipment. This market reached around $2 billion in 1988 and is expected to grow by 20 percent a year. Of particular interest are add-on input/output equipment, networks, and graphics. The Swedish software market also offers good prospects. The personal computer applications software market was estimated at $75 million in 1988. It is believed that this market, together with the systems software market, will increase on the average 20-25 percent per annum during the next three years. The sectors that will show the largest growth are the markets for Macintosh software and the expanding market for low-price software.

Medical Equipment and Supplies. In 1988 demand for medical equipment and supplies was estimated at $410 million, and U.S. imports of these items at $96 million. Health care will continue to be oriented away from hospitals and toward local health care centers. Thus demand will remain stable for screening equipment (including X-ray), as well as analytical laboratory equipment. Interest remains strong for new techniques such as noninvasive biophysical measurement, less harmful means of obtaining anatomical images, and improved drug delivery systems.

Electronics. Production and test equipment, electronic components, and security equipment also offer good prospects for U.S. exporters of products with unique applications or design

Agricultural products. Sweden offers a good market for U.S. agricultural poducts, particularly apples, pears, cotton, tobacco, wine, and wood. There some opportunities for U.S. exports of certain types of hardwoods and plywoods. Sweden has a very limited assortment of tree types (mainly spruce and pine).

Tourism. Sweden offers great opportunities for U.S. travel and tourism-related organizations. According to recent studies, the United States is the most preferred long-haul destination for Swedes. In the wake of the weakened dollar, 1988 showed a 25 percent increase in the number of Swedes visiting the United States. Enjoying a minimum of five weeks vacation and a high standard of living, Swedes have both the means and the time to travel.

The Commerce Department (at 202-377-4414) and the Agriculture Department (at 202-477-6343) offer specific information on a number of export services at modest cost.